Multi Family Housing

Federal Home Loan Banks

Affordable Housing Program

The Affordable Housing Program is one of the Federal Home Loan Bank System's community lending programs helping foster partnerships between financial institutions and community based organizations.

Affordable Housing subsidies are awarded twice a year in amounts up to $250,000 per project and are typically combined with other public and private sources of funding. The funds are used by system member lending institutions to help them finance single- and multi-family housing projects that benefit low income individuals and families in their communities.

Affordable housing grants can be used to reduce the interest rate or principal on long-term mortgage financing directed to construction, acquisition or rehabilitation costs, including energy efficiency improvements; applied to cover down payment and closing costs for qualified home buyers, or for other approved purposes. Grant applications are submitted by a lender in partnership with a nonprofit, for-profit or government housing developer. Applications are rated on targeting, subsidy per unit, community participation, community stability, support services and other factors. Deadlines are April 15 and October 15 each year.

To qualify for Affordable Housing funding, the grant application must

- ◆ Support the purchase, construction or rehabilitation of owner-occupied or rental housing.
- ◆ Serve households at or below 80 percent of median income, for home ownership programs.
- ◆ Provide at least 20 percent of the units for individuals earning at or below 50 percent of median income, for rental housing programs.

The Federal Home Loan Bank of Topeka serves Nebraska, Colorado, Kansas, and Oklahoma. The Bank sets aside 10 percent of its net income from the previous year to fund the following year's program. In 1997, Affordable Housing funds totaling $827,120 were received by Nebraska lenders to assist construction or rehabilitation in five housing projects in Nebraska.

The Bank's community investment staff will provide technical assistance and information to financial institutions, local governments and community organizations that are interested in establishing or participating in the Bank's affordable housing program.

For More Information, Contact

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U.S. Department of Agriculture
Rural Development Rural Housing Service

Farm Labor Housing Loans and Grants

Farm Labor Housing loans and grants are made by the Rural Housing Service to enable farmers, public or private nonprofit organizations, and units of state and local governments to build, buy, or repair farm labor housing in either dormitory or multifamily apartment style. Energy efficiency improvements are eligible for financing. This program can be utilized in communities of any size.

Eligibility for a Loan

To be eligible for a loan, an applicant must:

- ◆ Be a farm owner, family farm partnership or corporation, an association of farmers whose farming operations demonstrate the need for labor housing or a broadly-based nonprofit organization, including an organization of farm workers.
- ◆ Be unable to provide the needed financing for the proposed project from their own resources or from conventional sources.
- ◆ Have the resources available to operate and manage the Farm Labor project.
- ◆ Have the legal capacity to obtain a loan.
- ◆ Intend to use the housing for labor to be used in farming operations.
- ◆ An individual applicant must be a citizen or legally admitted for permanent residence. An organization applicant, must be properly organized under state statutes.

Potential applicants should contact the Rural Development Office in their area for preapplication consultation.

Loan Maximum, Interest, and Term

A loan cannot exceed the appraised value. The interest rate is 1 percent under most circumstances. The term is 33 years.

Eligibility for a Grant

All the eligibility requirements for a loan apply. In addition, the applicant must be a broad-based nonprofit organization, a nonprofit organization of farm workers, Native American tribe, or an agency of a state or local government.

Conditions Under Which a Grant May Be Made

The applicant will contribute at least 10 percent of the total development cost. This may be in the form of a loan. Housing most likely could not be provided without a grant being made. Housing must be modest in design and cost.

Maximum Grant

A grant cannot exceed the lesser of 90 percent of total development cost or the portion of the total cash development cost which exceeds the amount paid by the applicant from its own resources plus the amount of a loan which the applicant can repay from rental income of the housing which is the subject of financing.

Funding Level

Nebraska receives no specific allocation. Funding requests are made on a case-by-case basis.

Continued on page 22

U.S. Department of Agriculture
Rural Development Housing Loans and Grants

Farm Labor Housing Loans and Grants

An application has just been funded for more than $1,000,000; funding consists of 90% grant and 10% loan. This is a facility in the Panhandle for migrant workers and will be used for the homeless during the non-farming season.

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Nebraska Investment Finance Authority

Low-Income Housing Tax Credit Program

Established by the *Tax Reform Act of 1986*, this program authorizes a federal tax incentive for the construction or rehabilitation of rental housing units occupied by low-income households. The Nebraska Investment Finance Authority awards the annual supply of tax credits to developers of projects picked in application cycles.

The Low-Income Housing Tax Credit provides the owner with a tax credit to offset federal income tax for a ten year period. The use of tax credits is subject to the passive loss and alternative minimum tax provisions of the Internal Revenue Service.

Tax credits that are allocated to any project are claimed in equal amounts for a ten year period. The rental property generating the credit must remain in compliance with the program guidelines and rent restriction requirements for at least fifteen years from the first taxable year of the credit period.

To be eligible for tax credits, the proposed property must entail new construction, substantial rehabilitation, or acquisition and substantial rehabilitation. The minimum requirements necessary to qualify any building for substantial rehabilitation credits under the tax credit program are found in Section 43(e)(3) of the Internal Revenue Code of 1986.

A building is substantially rehabilitated if the expenditures during any 24-month period are the greater of (a) 10 percent of the depreciable basis of the building determined as of the first day of the 24-month period or (b) an average of $3,000 per low-income unit.

Qualified new construction and substantial rehabilitation costs earn credits at a rate of approximately 9 percent (4 percent, if tax-exempt bonds or other federal subsidies are used) each year for a ten year period.

Units Available to the General Public

Units must be made available to the general public and cannot be restricted to members of a particular social organization such as a religious group. However, owners can target a particular type of occupant such as the elderly, mentally or physically disabled or homeless, provided that the targeting does not violate Housing and Urban Development's nondiscrimination provisions under the fair housing and civil rights statue.

Ineligible Projects

Generally, hospitals, nursing homes, sanitariums and life care facilities are not eligible for tax credits because tenants are normally charged for mandatory services such as meals and medical care which increase their rent payments above the maximum rent limitation. Trailer parks and dormitories, which are usually classified as transient housing, are also not eligible.

For More Information, Contact

Nebraska Investment Finance Authority
200 Commerce Court
1230 O Street
Lincoln, NE 68508-1402
Phone 402-434-3900 or 800-240-6432
Fax 402-434-3921
Web Site http://www.nifa.org/

Mortgage Insurance for New Construction and Substantial Rehabilitation of Rental Housing

The Federal Housing Administration provides mortgage insurance to facilitate the development of rental housing. The Federal Housing Authority's 221(d) program is for new construction or substantial rehabilitation of multi-family rental properties.

The 221(d) program is not a direct loan program. The Federal Housing Authority insures loans originated by private, lenders approved by the U.S. Department of Housing and Urban Development. Prospective project sponsors and mortgagors are responsible for finding a lender approved by the Department of Housing and Urban Development to make a loan and submit an application for commitment to the Omaha Office of the Department of Housing and Urban Development.

Eligibility

Properties must contain five or more rental or cooperative units. Projects may be designed for the elderly (aged 62 or older) or handicapped residents. Profit-motivated, nonprofit, limited distribution and cooperative mortgagors are eligible. The properties mortgaged must comply with specified Housing and Urban Development and local standards.

Mortgage Limits

For profit motivated mortgagors, the maximum insurable mortgage amount is the lowest of 90 percent of the Federal Housing Authority's estimate of project replacement cost, 90 percent of net income for debt service, or statutory per dwelling unit limits.

For nonprofit mortgagors, the maximum insurable mortgage amount is the lowest of 100 percent of the Federal Housing Authority's estimate of project replacement cost, 95 percent of net income for debt service or statutory per dwelling unit limits.

Mortgage Term and Interest Rate

The mortgage term is limited to the lower of 40 years or 75 percent of the project's remaining economic life. Interest rates are negotiated between the lender and the borrower.

Other Requirements

Applications may be staged (e.g., Site Appraisal Market Analysis stage, firm commitment). Application and inspection fees apply. The application fee aggregates to $3.00 per $1,000 or requested mortgage amount at the firm commitment stage. The inspection fee is $5.00 per $1,000 of mortgage amount for new construction or rehabilitation.

This is an active ongoing program. Applications from approved lenders can be submitted at any time at the Omaha Office of the U.S. Department of Housing and Urban Development.

For More Information, Contact

U.S. Department of Housing and Urban Development
10909 Mill Valley Road
Omaha, NE 68154-3955
Fax 402-492-3184
Linda Grabowski 402-492-3122
Rick Mehal 402-492-3118
Web Site http://www.hud.gov

Mortgage Insurance for Rehabilitation and Repair of Residential Properties (Section 203k)

The Section 203(k) program is administered by the Federal Housing Administration, which is part of the Department of Housing and Urban Development. The Housing Authority insures loans originated by private lenders approved by the U.S. Department of Housing and Urban Development. The Section 203(k) program is the Department's primary mortgage insurance program for rehabilitation and repair of single family properties. Some multi-family properties are included, however, because eligibility extends up to four family multi-family dwellings. The program can be used to purchase dwellings and the land on which the dwelling is located and rehabilitate it; to purchase a dwelling, move it onto a new foundation on a new site and rehabilitate it; to refinance existing indebtedness and rehabilitate the dwelling.

Eligibility

To be eligible, the property must be a one to four family dwelling that is at least a year old. Condominium and cooperative units are not eligible. The program can be used to convert a one family dwelling to a two, three, or four family dwelling. An existing multi-unit dwelling could be decreased to a one to four family unit.

Eligible Improvements

There are a number of eligible improvements some which specifically pertain to energy efficiency are energy conservation improvements (e.g. new double pane windows, steel insulated exterior doors, insulation, solar domestic hot water systems, caulking and weather-stripping) and reconditioning or replacement of plumbing, heating, air conditioning and electrical systems. There is a minimum $5,000 requirement for the eligible improvements.

Energy Standards

Rehabilitation and additions to existing structures must meet cost effective energy conservation standards.

Mortgage Limits

For owner-occupied properties, the maximum mortgage insured is 97 percent of the first $25,000 and 95 percent on the balance of the Department's estimated value of the property. For investors, the maximum mortgage amount is 85 percent of the Department's estimated value of the property.

For More Information, Contact

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Rural Rental Housing Loans

The Rural Housing Service makes loans to finance building construction and site development of multi-family living quarters for people with very low, low and moderate incomes. Some units are reserved for people aged 62 and over. Loans can be made in this program to construct housing that will be operated in cooperative form. Loan funds may not be used to finance individual units within the project.

Building construction includes the purchase of an existing building and rehabilitating it. Rehabilitation includes energy efficiency improvements.

The objective is to provide economically designed and constructed rental housing and selected facilities for eligible households in rural areas. Rural areas for this program are generally defined as communities of 20,000 population and less, but do include the community of Norfolk and the area of Scottsbluff, Gering and Terrytown.

The purposes of the loans are:

- ◆ To provide financing for construction of needed new apartment units that are modest in design and cost and;
- ◆ For needed rehabilitation of existing structures to provide modest apartment units. The terms of the loans are fifty years.

Eligibility

To be eligible for a loan, an applicant must:

- ◆ Be an individual or an organization properly formed under state statutes.
- ◆ Be unable to provide the needed financing for the proposed project from their own resources or from conventional sources.
- ◆ Be financially capable of handling the proposal with Rural Development financing.
- ◆ Be able to manage the proposed project.

Potential applicants should contact the Rural Development Office in their area for preapplication consultation.

Maximum Loan Amount

The maximum loan to a nonprofit organization will be the lesser of 100 percent of development cost or the appraised value.

The maximum loan to all borrowers other than nonprofit organizations, if tax credits are involved, will be 95 percent of the lesser of the appraised value or 100 percent of development cost. If tax credits are not involved, the maximum loan will 97 percent of the lesser of the appraised value or 100 percent of development cost.

Tenant Eligibility Requirements

Tenants must meet the definition of very low, low, or moderate income households. Income limits vary from county to county and by size of household. Income limits are available from any Rural Development office.

Occupancy standards must be met.

The project must be designated as elderly or family.

Interest Rates

Interest rates for loans will generally change quarterly. Check with any Rural Development office for the current rate.

Continued on page 27

Rural Rental Housing Loans

Funding Level

Nebraska received an allocation of $1 million for fiscal year 1998. The allocation will all be used for a project in the Panhandle. Total funds obligated are expected to be $1.5 to $2 million after additional funds are received.

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Supportive Housing for Persons With Disabilities Funds (Section 811)

The Department of Housing and Urban Development provides funding to expand the supply of supportive housing for persons with disabilities. Capital advances, which bear no interest, are provided to finance the construction, rehabilitation or acquisition with or without rehabilitation of housing. Energy efficiency and waste reduction improvements are included in rehabilitation measures which may be financed. Repayment of the advance is not required as long as the housing remains available for occupancy for at least 40 years by very low-income persons with disabilities.

Eligibility

Nonprofit organizations with a Section 501(c)(3) tax exemption ruling from the Internal Revenue Service are eligible for capital advances.

Types of Housing

A variety of housing options may be developed, including group independent living facilities, dwelling units in multi-family housing developments, condominium housing and cooperative housing.

Supportive Services

The sponsor must ensure that residents have access to any necessary supportive services which must be funded from non-HUD sources.

How to Apply

An application for Section 811 funds is made to the Department of Housing and Urban Development. Notice of fund availability is published in the spring of each year in the *Federal Register*. The deadline for applying is generally two months after publication of the notice of availability. Selections usually are announced in September.

There was funding for ten units in Nebraska in 1998. The deadline for applications was July 7, 1998. At this time, no deadlines for 1999 applications have been announced.

For More Information, Contact

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Web Site http://www.hud.gov

U.S. Department of Housing & Urban Development

Supportive Housing for the Elderly (Section 202)

The Department of Housing and Urban Development provides funding to expand the supply of supportive housing for elderly persons. Capital advances which bear no interest are provided to finance the construction or rehabilitation of housing. Energy efficiency and waste reduction improvements may be financed with these funds. Repayment of the capital advance is not required as long as the housing remains available for occupancy for at least 40 years by very low-income elderly persons.

Eligibility

Nonprofit organizations and consumer cooperatives are eligible to apply.

Supportive Services

Supportive services must be appropriate to the category or categories of elderly residents to be served. It is the responsibility of the sponsor to arrange for the provision and funding of these services appropriate to the assessed needs of the residents.

How to Apply

An application for a fund reservation is made to the Department of Housing and Urban Development. Notice of fund availability is published in the spring of each year in the *Federal Register*. The deadline for applying is generally two months after publication of the notice of availability. Selections usually are announced in September.

There was funding for twenty metropolitan units and fifteeen non-metropolitan units in Nebraska in 1998. The deadline for applications was July 7, 1998. Application dates for 1999 are not available at this time.

For More Information, Contact

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Web Site http://www.hud.gov

Nebraska Investment Finance Authority

Tax Exempt Bond Financing for Rental Housing

The Nebraska Investment Finance Authority has authority to issue revenue bonds or other debt instruments to finance rental housing projects. These projects are defined as specific work or improvement within Nebraska undertaken primarily to provide rental dwelling accommodations for low-income or moderate-income persons, which work or improvement will include the acquisition, construction or rehabilitation of land, buildings, and improvements and functionally related facilities such as heating and cooking equipment.

If the bonds meet federal tax law requirements, they bear interest that is exempt from federal income tax and from Nebraska state income tax as well. The borrower must find purchasers of the bonds either by direct placement with a financial institution or by public sale using an investment banker. Interest rates are negotiated by the borrower and the financial institution or investment banker. Because the bonds are tax-exempt, interest rates are usually lower than rates available through commercial sources.

Bond Issuer

Nebraska Investment Finance Authority.

Who Is Eligible?

Developers of projects which will be occupied by low-income individuals and families.

Bond Amount

Bond amount is subject to available bond allocation cap. The bond allocation cap is determined by the amount of tax exempt bonds issued by the federal government to the state for private activity.

Other Criteria

A party seeking financing must contact a financial institution or underwriter and arrange for structuring and subsequent purchase of the tax-exempt bonds. The applicant also contacts and hires bond counsel to draft the necessary documents for the financing. All costs in connection with the financing are the responsibility of the applicant. Fees of the Nebraska Investment Finance Authority are as follows:

Application Fee — a nonrefundable fee of 1/16th of 1 percent of the bond amount requested with a $1,000 minimum, to be applied to the issuance fee if the bond issue closes.

Issuance Fee — 1/8 of 1 percent of bond amount with a $1,000 minimum.

Legal Counsel Fee for Nebraska Investment Finance Authority — although the amount varies, it usually includes normal hourly rates plus disbursements.

Assumption Fee — 1/8 of 1 percent of outstanding bond balance with a $1,000 minimum.

Bond Allocation Deposit — 1 percent of bond amount requested with a $5,000 minimum. This amount is forfeited to the extent allocation is not used within prescribed time limits.

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